

VZCZCXRO0359
OO RUEHDE
DE RUEHAD #0013 0060938
ZNY CCCCC ZZH
O 060938Z JAN 09
FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1960
INFO RUEHDE/AMCONSUL DUBAI PRIORITY 8112
RHMFISS/DEPT OF ENERGY WASHINGTON DC

C O N F I D E N T I A L ABU DHABI 000013

NOFORN
SIPDIS

DEPARTMENT FOR NEA/ARP (BMASILKO) AND EEB/ESC/IEC/EPC (MMCMANUS)

E.O. 12958: DECL: 01/05/2019
TAGS: [EPET](#) [ENRG](#) [PGOV](#) [AE](#)
SUBJECT: ADNOC CUTS PRODUCTION TO MEET OPEC QUOTA

Classified by Ambassador Richard Olson for reasons 1.4 (b and d).

¶1. (C/NF) During a January 5 discussion with EconOff, Abu Dhabi National Oil Company (ADNOC) Offshore Division Manager Ali al Shamsi confirmed press reports that ADNOC will cut production in 2009 to meet the UAE's OPEC quota. Al Shamsi, highlighting that the UAE was the first to publicly announce its cuts, said that UAE production would decline from 2.346 million barrels per day (bpd) in January 2009, to 2.189 million bpd in February, and 2.2 million bpd in March. Most of the cuts would be taken at ADNOC's smaller offshore fields, e.g., Umm Shaif and Lower Zakum, although the larger onshore production of Murban crude would also decline. Al Shamsi said ADNOC expects to resume production of 2.223 million bpd (its pre-December quota) in April 2009.

¶2. (C/NF) ADNOC informed customers of the cuts on December 25, following a December 24 meeting of the Supreme Petroleum Council (SPC). Al Shamsi said that ADNOC, which produces 60 percent of the UAE's total oil production, usually assumes responsibility for OPEC production cuts. Al Shamsi explained that ADNOC advised its foreign shareholders and other UAE petroleum producers of its planned cuts, but did not "interfere" with their production levels.

¶3. (C/NF) Al Shamsi noted that ADNOC does not usually produce at its full capacity. However, he said that 2008 production approached the UAE's 2.6 million bpd capacity in response to high demand (and high prices). ADNOC will reduce 2009 output by performing scheduled maintenance, filling existing tank farms, and reducing production at the wellhead.

¶4. (C/NF) Comment. ADNOC, whose production costs are about USD 7 per barrel, does not need higher prices to be profitable or to fund planned expansion. UAE President, Ruler of Abu Dhabi, and SPC Chairman Sheikh Khalifa Bin Zayed Al Nahyan said in a recent interview that investment in the petroleum sector would continue despite the economic downturn and low oil prices, as long-term demand is strong. However, ADNOC officials hope that prices will stabilize closer to USD 40-50, which will ensure the UAE's 2009 budget is not in deficit. ADNOC Deputy CEO and SPC member Abdallah Nasser Al Sowaidi joked to EconOff in November that if prices fell to USD 20 per barrel, "we'd stop producing." End Comment.
OLSON